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# Examining the motivation factors for individuals choosing self-employment: An assessment on Saudi labor market

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### ABSTRACT

*The self-employment issue has attracted the attention of both researchers in the field of economies of labor and policymakers. This paper investigates the main determinants of being self-employed in Saudi Arabia including age, gender, qualification, earning, and non-financial benefits cited by the self-employed workers in the Saudi labor market. However, very limited previous research has discussed the subject of self-employment determinants altogether. The analysis uses the "household survey" Labor Force Direct Survey LFDS for Saudi Labor Market to investigate individuals' determinants for being self-employed and to have a better explanation of self-employed jobs and their determinants. Estimates are presented on a sample of 1100 participants who became self-employed by 2017. The data provide detailed information on self-employment that allows analyzing the complete set of determinants that controlled self-employment. The descriptive statistics show that the self-employed tend to be young males aged between 20-35 years, with a preference of working in the telecommunication sector, with a high school certificate, and with a monthly earning target between 7001-10000 SR. Findings show that the most cited reason for the male at 90% was a preference for being one's own boss. For females, the most cited motivating factor about 89% was 'the opportunity to raise more money.'*

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## Introduction

Self-employment is a segment of labor market position that may include a of different group of activities. In the last two decades, self-employment has become a well-established ground in labor market literature and has significantly contributed to the fields of economics and entrepreneurship. Early contribution initially published in long form in the Journal of Labor Economics by Blanchflower and Oswald (1998). In labor economics literature, there has been much discussion regarding the growth in self-employment. Self-employment may consider for approximately 10% of all labor force in the world Evans and Leighton (1989). In their comparative study, Chen and Doane (2008), stated that in the developing countries, self-employment is around 53% of workers in low-income countries and 36% in lower-middle-income countries are self-employed. Based on their findings, in South Asia, 85% of Indian workers are in self-employment or unplanned employment, and self-employment ranges for 73% of non-agricultural employment in Bangladesh Chen and Duane (2008). Blanchflower (2000) indicated that rates of self-employment tend to be fluctuate across both time and countries and it is difficult to find similar estimation by country due to the way of measuring self-employment. Participants in self-employment always linked to both outside options and entrepreneurial ability. Altogether else equal, individuals with relatively high entrepreneurial abilities have a comparative advantage in self-employment, and will prefer this condition to wage work Lucas (1978). Taking the unexpected risk into account the income from self-employment should be in reality even higher than that from wage work. On the other hand, possible capital gains from self-employment can contribute to the total earnings from self-employment.

Nationally, self-employed are growing part of the Saudi labor market in the last two decades. Policymakers in Saudi Arabia largely aware of this trend and see it as an opportunity for addressing continuing joblessness. Regardless of these shortcomings, studying the phenomenon of self-employment is critical. In Saudi Arabia, however, this type of employment has not attracted much attention among young Saudis, primarily because it is viewed as a last resort for laid-off workers or it is viewed as small-scale and low-paying.

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Saudi Self-employer's motive for such activities is to look for flexibility by avoiding the costs, obligations and responsibilities related to employment relationships. Based on Saudi Labor Market, the self-employed may identified as single employee micro-businesses. In addition, it may include undesirable state chosen by different jobseekers unable to find suitable paid employment under existing labor market conditions. Individuals seeking flexible working hours may prefer self-employment if a paid employment contract offering enough flexibility is unobtainable. Moreover, self-employment is still an important working opportunity for many in the labor market.

Based on empirical literature on entrepreneurship, findings indicate some personal characteristics other than ability that may enable entry into self-employment for instance, education, expected income earned, ethnic and family background, risk taking propensity, the job level satisfaction, gender, education, income and age. This paper examines self-employment determinants and proceeds as follows. Section 2, we review the literature available on self-employment. Section 3, we describe the data and elaborate on them by explaining how we created each variable. Section 4, we develop our model to documents new empirical evidence on self-employment determinants and develops the structural model. Section 5, we discuss results from the model. Section 6, we conclude.

## **Literature Review**

### **An Organizational Culture**

The issue of self-employment has attracted the attention of researchers in the fields of economics of labor and policy makers. Based on Grilo and Thurik (2005), literature on the self-employment determinants a distinction can be made between comprehensive frameworks, empirical literature and theory. Lucas (1978) specified that those who choose to be self-employment are all workers using their ability in business functions guarantees higher earnings than they would otherwise receive. In their early study, Blau and Duncan (1967) confirmed that self-employed occupational types show the most inter-generational "occupational inheritance and self-recruitment"; the occupations are expected to have higher stability over time because of "stronger occupational investment and commitment than mere employment". In theoretical models of self-employment, Evans and Jovanovic (1989), Jovanovic (1982), Lucas (1978) and Kihlstrom and Laffont (1979) note that attitudes toward preferences, entrepreneurial ability and risk for independence are the core of the individual's choice to become self-employed or engage in wage and salary work. However, research on the background of self-employment in the last three decades such as (Bates 1990; Robinson and Sexton 1994; Cooper et al. 1994; Cressy 1996; Gimeno et al. 1997) have been focused on individual characteristics showing that formal qualification, socio-demographic characteristics and experience are driving forces for sustainable self-employment periods.

A wide literature has addressed the process of the formation of entrepreneurial purpose such as Lucas (1978), Wilkinson (1981), You (1995), Barkham et al., (1996), Krueger et al., (2000) and Uusitalo (2001) suggest that self-employment became less attractive option compared to wage work, mainly for the highly educated people. Blau (1987), formerly, attributed the growing propensity for self-employment to changing technology, industry structure, and tax rates, as well as social security benefits. In general, highly educated individuals receive more as employees than they would do as self-employment workers.

Shachmurove and Zimmermann (2003) stated that in Germany the possibility of self-employment highly increases with age for all groups although at a decreasing percentage. Rees and Shah (1986) use the General Household Survey for 1978 to examine the relationship between earning and self-employment for the UK primarily focus on males aged 16-64. They provide some evidence to suggest that the possibility of being self-employed is determined positively on the expected earnings differential. They also stated that individuals prefer to become and are more expected to stay entrepreneurs because they have a comparative advantage in doing so. Also, Meyer (1990) provides that groups which are possibly discriminated in labor markets are more expected to become self-employed. Regarding the stability of self-employment, in terms of re-entering unemployment, Bryson and White (1996) specified that self-employment is more stable than paid-employment, whereas age has a negative and duration has a positive effect on remaining in self-employment among men.

### **Self-Employment Motivation**

Individuals may prefer to be self-employed for many different motives. Parker (2009) finds that specific factors such as age, experience, wealth, and having entrepreneurial parents are associated with being self-employed but finds no correlations on many other factors. In his researches, he documents 69 studies that show education is a positive determinant of entrepreneurship, 21 studies that find education is a negative determinant, and 27 that find no correlations to education. On the individual level, Santarelli and Vivarelli (2007) and Giannetti and Simonov (2004), stated that gender, age, educational attainment, and professional background are usually discussed as having a significant influence on the stability of self-employment periods. Glaeser, Rosenthal, and Strange (2010) provide that the subjective evidence often seen as sufficient to demonstrate the powerful significances of successful entrepreneurship. Dejardin and Fritsch (2011) said that: "The important question is raised of to what extent new business formation can be regarded as a result of previous growth, and to what extent is it a source of growth independent of the prevailing development trend?" In a different way, Carrasco (1999), Addison and Portugal (1999), Bryson and White (1996) stated that the previous studies mainly concentrated on modelling the shift from paid-employment to self-employment but the latter studies mainly ignore the probability to move into self-employment.

Recent empirical work such as Haltiwanger et al. (2013) and Decker et al (2014) typically have little information about the founders of new businesses and why they entered self-employment market. Some studies specifically model individual's decisions to enter and exit new businesses, but these models naturally assume that all new self-employed individuals purpose to grow or innovate. Empirical analysis usually using detailed questionnaires with examples of individuals and connecting these with reported strength responses about entrepreneurship or self-employment.

Maloney (2004) stated that some of self-employed work for themselves because they prefer to be an independence and flexible as self-employment. In their empirical studies Fields (1975), Tokman (2007) and de Mel, et al, (2010) indicated that the majority of self-employed prefer to work for themselves and earn less since they are controlled out of wage jobs. In his argument, Blanchflower (2000) claims that this causes the growing share of individuals who consider self-employment as an alternative income option and the chance to avoid or to quit unemployment.

In another approach, Block and Sandner (2009) state that the self-employed can be divided into “opportunity” entrepreneurs who search to bring new ideas to the market or take advantage of other market opportunities and “necessity” entrepreneurs who self-employ due to lack of other options. In their study, Wagner (2004), and Parker (2009) provide evidence to the conclusion that, for reasons of self-selection, individuals starting a new project mostly come from small firms under which called (hot-house-hypothesis). They assume that small firms may provide more an appropriate knowledge and networks that foster diversity in an individual's skill.

#### **Self-Employment and "Pull" and "Push" Factors:**

In theory, an argument have been made in support of both a positive and a negative relationship between unemployment and self-employment. Stanworth and Curran (1973) explain variances in self-employment rates and try to distinguish between 'push' factors and 'pull' factors. In their finding, they stated that push factors make wage-employment unattractive. Conversely, pull factors make self-employment more attractive. In this case, jobseeker is 'pushed' into self-employment by a lack of attractive alternatives. For many cases, pull-factors are important for leaving unemployment for self-employment, whereas for most cases push-factors are dominant. Based on Storey (1982), the ‘push’ hypothesis, increasing levels of unemployment reduce the predictions for finding paid employment; consequently, the expected returns from self-employment become more attractive, and as a result, pushing people into entrepreneurship.

#### **Self-Employment and Earnings:**

The evidence is inconsistency and difficult to get to holds with, but it seems that individual who remain self-employed for a certain period of time have less or more maintained their overall income. Cueto and Mato (2006) and Johansson (2000) find a negative correlation, representing in less income reduction preferences of self-employment and more reduction preferences in external income. In contrast to Evans and Leighton (1990), they do not find any differences in earnings between the self-employed and the paid-employed among men. Group of researchers such as Arntz and Wilke (2009) and Fritsch et al. (2006) provided some evidences that support the effect of earning on self-employment. In their studies, Acs and Armington (2004a) and (2004b) illustrates considerable importance of economic conditions that related to unemployment duration, job choice and firm existence. In terms of qualification, Kangasharju and Pekkala (2002) indicate that across qualification, individuals vary in to economic reaction's conditions and their attitude toward continue or quit self-employment position. They find that in a time of an economic downturn is correlated with a lower exit self-employment while an economic upturn, they find an increased probability of quitting for the highly qualified self-employed individuals. However, Hamilton (2000) indicates that the self-employed earn less than their employed counterparts regardless of the risky nature of self-employment. Nevertheless, Evans and Leighton (1989) indicate that paid employment has higher labor market returns than self-employment. Their findings supported by Bruce and Schuetze (2004), who find that brief self-employment appears to reduce wages when agents return to paid employment.

## **Research and Methodology**

### **Data**

The recent growth in self-employment, which includes a wide range of different activities, has made a considerable contribution to the labor market in Saudi Arabia. Based on the Saudi labor market, self-employed workers identified as single entrepreneurs or employees unable to find the right paid employment under current labor market conditions (SALMR, 2016). For this paper, a self-employed worker is considered to be an individual earning a residual income from a business for which they hold the majority ownership stake, and at which they work full time. Following Dawson and Henley (2013), this definition allows us to exclude sub-contractors, such as suppliers, non-business owners, and other undetermined non-business-owning self-employed individuals. However, the main objective of this study is to build an evidence base using the household survey Labor Force Direct Survey (LFDS) to gain a better understanding of self-employed jobs and the characteristics of individuals who identify as self-employed.

Using the 2017 LFDS, we began by randomly selecting a sample of 1,100 individuals (788 males and 312 females), who were aged between 18 and 65 years and in full time employment by the end of the year. The LFDS survey recorded those who were self-employed in telecommunications stores, coffee shops, fruit stores, real states offices, IT solutions, and women clothing stores, or were farmers, taxi drivers, babysitters, hairdressers, and dressmakers and tailors. Survey show only those who are wholly self-employed, not those who report earning some income from work outside of their paid employment.

Survey describe self-employment sectors in the Saudi job market in which the respondents are employed. The survey showed that the telecommunications sector employed the highest percentage of male workers, and almost half of the male respondents were employed in this sector. The survey also showed that the homemade products sector employed the highest percentage of female workers, and almost one third of the female respondents were employed in this sector.

Individuals may prefer to be a self-employed worker for several reasons and benefits, thus the survey emphasized the personal motivations of self-employment, as opposed to purely business considerations

Based on the LFDS survey, 37% of self-employed male respondents said the biggest benefit to being self-employed is independence at work, and 26% of female respondents said the biggest benefit to being self-employed is self-recognition. Correspondingly, 7% of male respondents said that “having the opportunity to achieve something and get recognition for it” is the biggest benefit that can be achieved in self-employment. Only 11% of female respondents were motivated by personal or family life balance, making it the least attractive reason for becoming a self-employed worker. Financial benefits attracted 24% of males and 19% of females.

The survey data indicates that the majority of males (91%) and females (90%) prefer self-employment to paid employment because of the lack of jobs available locally. Though, being independent at work attracted 90% of males and 79% of females, while earning more money attracted 79% of males and 89% of females. Furthermore, survey data shows that family commitments and opportunity arose were not major motivations for preferring self-employment to paid employment for either gender.

Limitations in this survey exist. Those in self-employment may leave it sooner or later than observed in the data. For example, data will not be accurate if the individual retires or leaves the labor force for other reasons. It is also important to note that other cases, such as minor paid employment and official job search periods, may affect data accuracy.

Male and female respondents vary in terms of satisfaction. Survey data shows that 32% of males and 27% of females were very satisfied, and 38% of males and 17% of females were moderately satisfied as self-employed workers. In addition, only 16% of males and 33% of females were a little dissatisfied. However, 23% of females and only 14% of males were very dissatisfied for being a self-employed worker.

The survey data indicates that most self-employed respondents are young, aged between 20 and 30 years. That is, 48% of males and 39% of females between 26–30 years are self-employed workers. Only 3% of males and 4% of females aged 20 years and younger are self-employed workers. For both genders, those aged 41 years and older are much less likely to be self-employed workers than any other age group.

The higher the level of education, the higher the possibility of becoming self-employed in a particular sector and the greater the success in that sector in terms of income earned. According to survey data, only 3% of both genders who were self-employed workers received a primary education. However, more than two thirds (72%) of males and more the half (55%) of females held a high school diploma. More females than males received a college degree, possibly to assist them in their business endeavors, 29% and 17%, respectively. The survey showed that there are distinct differences between genders. However, the effect of experience and education increases over the span of one’s career as the level of experience increases.

Earnings among the self-employed varied significantly. The survey showed that nearly two thirds (61 %) of males usually earned between 7,500 and 10,000 SR per month, and approximately one third (32%) of females earned between 5,001 and 7,000 SR per month. However, only 1% of males and 2% of females said they earned more than 17,500 SR per month. By contrast, 6% of males and 21% of females earned less than 5,000 SR per month. Finally, a small proportion of self-employed workers chose this level of income because they joined a family business. Such individuals do not appear to be particularly well-educated, and may fail to appreciate the contribution that academic qualifications, and other skills, may make to business performance.

## **Methodology**

The purpose of this section is to describe the empirical methodology used to determine the factors that motivate individuals into choosing self-employment, and better understand which individuals are more likely to show particular motivations for self-employment.

There is a large number of variables that have been found to influence the determinants for self-employment of an individual in the empirical literature. The analysis in this study is based on a regression model with endogenous switching, as suggested by Rees and Shah (1986). However, their analysis primarily focused on males aged 16–64 in the U.K. labor market. We expanded upon this and focused mainly on gender, age, education, and income.

## **Hypotheses**

The argument about these variables leads to the following hypotheses:

H1. The probability of engaging in self-employment differs by gender.

H2. Self-employment concerns mainly relatively young individuals.

H3. The higher the level of education attained, the higher the possibility of engaging in self-employment.

H4. The higher the level of income earned, the higher the possibility of engaging in self-employment.

### Model

The adopted model recognizes that self-employed workers are a non-random sample, and, therefore, any modeling of the determinants must control for the non-random nature of the sample. The model assumes that self-employed workers have a comparative advantage to employed workers in the same sector.

There are several macroeconomic and microeconomic variables that affect an individual's decision to join the labor market as an employed or self-employed worker. Thus, the model starts with the general function:

$$Y_i = f(X_1, X_2, X_3, \dots, X_n) \dots \dots \dots (1)$$

where  $Y_i$  denotes the individual participation decision as a self-employed worker.  $Y_i$  is equal to "0" if a worker prefers not to be a self-employed worker, and equal to "1" if the worker decides to be a self-employed worker.

According to Rees and Shah (1986) and Blundell (1987), these variables decide whether an individual who wishes to join the labor force is in self-employment.

Therefore:

$$SF_j = \alpha X_i + w_i \dots \dots \dots (2)$$

Based on the following condition:

$$SF_j = \alpha X_i + w_i > 0 \dots \dots \dots (3)$$

The individual would be in self-employment if:

$$SF_j = \alpha X_i + w_i \leq 0 \dots \dots \dots (4)$$

These would be defined as:

$SF = 1$ , If  $SF_i > 0$  and  $SF_i = 0$ , If not.

Thus, based on Equation (1), an individual will choose to be in self-employment if:

$$Y_s = \alpha_1 A + \beta_2 G + \lambda_3 E + \mu_4 R + \epsilon \dots \dots \dots (5)$$

where  $A$  is age,  $G$  is gender,  $E$  is education level, and  $R$  is the level of monthly income that could be earned at the start of the business, and  $\alpha_1$ ,  $\beta_2$ ,  $\lambda_3$  are parameters and  $\mu_4$  error term. In Equation (5) of the self-employment model, the explanatory variables are age, gender, education level, and income earned, as shown in Table 1.

**Table 1: Variables' Descriptions**

Variables	Description
<b>(Dependent Variable)</b> <b>Self-Employment (SF)</b>	$SF = 0$ , if an individual is not self-employed. $SF = 1$ , if an individual is self-employed.
<b>(Explanatory Variable 1)</b> <b>Age (A)</b>	A1, if younger than 20 years; A2, if between 20 and 25 years; A3, if between 26 and 30 years; A4, If between 31 and 35 years; A5, if between 36 and 40 years; A6, if between 41 and 46 years; A7, if older than 46 years.
<b>(Explanatory Variable 2)</b> <b>Gender (G)</b>	$G = 0$ , if an individual is female. $G = 1$ , if an individual is male.
<b>(Explanatory Variable 3)</b> <b>Education Level (E)</b>	E1, if an individual's education level is Primary. E2, if an individual's education level is High School. E3, if an individual's education level is Diploma. E4, if an individual's education level is College Degree. E5, if an individual's education level is Unclassified.
<b>(Explanatory Variable 4)</b> <b>Income Earned (R)</b>	R1, if an individual earned 5,000 SR/m or less . R2, if an individual earned between 5,001 and 7,000 SR/m. R3, if an individual earned between 7,001 and 10,000 SR/m. R4, if an individual earned between 10,001 and 12,500 SR/m. R5, if an individual earned between 12,501 and 15,000 SR/m. R6, if an individual earned between 15,001 and 17,500 SR/m. R7, if an individual earned more than 17,500 SR/m

Source: Own calculation on the basis of data from the LFDS, 2017

## Result and Discussion

### Statistical Analysis

Based on the data descriptive statistics of the selected variables described in survey data, the average age of self-employed female workers is 28.14 years and that for male self-employed workers is 26.88 years.

**Table 2:** Sample Descriptive Statistic

Variable	Mean	SD	Min	Max	N
Age	28		20	59	1,100
Gender	N/A		---	---	1,100
Education Level	N/A		---	---	1,100
Income Earned	12,500		5,000	17,500	1,100

**Source:** Own calculation on the basis of data from the LFDS, 2017

As shown in Table 2, the sample descriptive statistics can be useful for two purposes. First, they highlight the expected relationships between variables. Second, they provide basic information about variables in our data.

**Table 3:** Mean differences between female and male respondents for the explanatory variables

Variable	Female Average (SD, Error)	Male Average (SD, Error)	Chi-square (P-value)
Age	27.1 (7.27)	28.3 (7.81)	97.78** (0.000)
Edu (D) Primary.	0.125 (0.352)	0.119 (0.342)	3.102 (0.125)
Edu (C) High School	0.795 (0.546)	0.685 (0.521)	12.245** (0.001)
Edu (B) Diploma	0.215 (0.323)	0.189 (0.297)	4.551* (0.112)
Edu (A) College Degree	0.421 (0.387)	0.229 (0.311)	10.934** (0.009)
Earn (A) 17,501 and more	0.145 (0.392)	0.113 (0.412)	3.282 (0.113)
Earn (B) 15,001–17,500	0.125 (0.397)	0.133 (0.382)	3.782 (0.111)
Earn (C) 12,501–15,000	0.232 (0.298)	0.209 (0.273)	4.331* (0.102)
Earn (D) 10,001–12,500	0.235 (0.303)	0.199 (0.268)	4.337* (0.101)
Earn (E) 7,001–10,000	0.628 (0.443)	0.315 (0.297)	12.215** (0.001)
Earn (F) 5,001–7,000	0.487 (0.381)	0.229 (0.304)	11.731** (0.006)
Earn (G) less than 5,000	0.391 (0.339)	0.219 (0.252)	6.321* (0.011)

\*\*significant at 10% level (2-tailed); \* significant at 5% level (2-tailed).

**Source:** Own calculation on the basis of data from the LFDS, 2017 using E-Views software version-9

Table 4 shows the mean differences between males and females for all ages by education level and income earned, and reveals some gender similarities. Therefore, H1 was not rejected for both genders, but some slight differences in age, education level, and income earned between genders were observed. Note that the average age for both female and male self-employed workers were lower in the model than in the LDFS, and is between 27 and 28 years. This represents the structure of the Saudi population, which is often described as being a youth-intensive population. Nevertheless, the Saudi age group of 15–64 forms the highest share of the total population, at approximately 65%.

Likewise, H2 was not rejected for both genders, with some slight differences being observed in the ages between 26 and 30 (p-value < 0.0001), the range within which 48% of males and 39% of females are.

Table 5 also shows that, in terms of education level, young female self-employed workers are less likely than young males self-employed workers to have a college degree. However, education has a strong positive influence on entrepreneurship in terms of becoming self-employed and being successful.

In this regard, H3 was rejected for both genders, especially for those in the higher levels of education, such as college degree, and was not rejected for both genders in the middle level of education, where the majority of respondents (72% of males and 55% of females) held a high school diploma ( $p\text{-value} > 0.0001$ )

In addition, there are several differences between females and males in terms of monthly income earned. Female self-employed workers earned less than male self-employed workers. However, H4 was rejected, as the results in Table 5 showed that 61% of males and only 22% of females earned between 7,000 and 10,000 SR per month.

We have seen from the results in Table 5 that some of these factors influence the preference for self-employment, showing that these variables have indirect gender effects.

### Economics Analysis

We estimate the self-employment equation as a single equation using ordinary least squares. The advantage is that by testing the parameters with this equation, and observing the correlation of the error terms, we can check whether self-employment is generated by the same determinants.

**Table 4:** Mean differences between females and males with respect to the reasons indicated for preferring self-employment to paid employment.

Reason	Female (Std. error)	Male (Std. error)	Chi-square (P-value)
Job independency	0.352 (0.285)	0.111 (0.425)	37.459*** (0.000)
Regular earning (income)	0.187 (0.431)	0.123 (0.340)	12.021** (0.001)
Employment stability	0.112 (0.351)	0.085 (0.244)	13.325** (0.000)
Time control	0.033 (0.129)	0.027 (0.118)	11.249** (0.001)
Lack of skills and knowledge	0.057 (0.285)	0.034 (0.195)	29.123** (0.000)

**Source:** Own calculation on the basis of data from the LFDS, 2017 using E-Views software version-9

Based on our analysis, and by comparing male and female respondents, no significant statistical difference was found, and more respondents than expected indicated that self-employment provides job independency, regular earning, and employment stability. These factors denote the willingness of an individual to become a self-employed worker. No statistically significant difference was found between the self-employed workers who earned 10,001 SR per month and those who earned between 10,001 SR and 15,000 SR per month. Also, females were more likely than males to indicate time control and that they lack skills and knowledge as the reasons for becoming a self-employed worker. As indicated by survey data, the higher the job education requirements, the higher the occurrence of being self-employed. These factors denote the ability of an individual to become self-employed. Thus, the lower preference of females to be in self-employment may be explained by both a lower willingness and a lower (perceived) ability of being a self-employed worker. Furthermore, this study found that the issue of time control is a strong determinant for self-employment because the market contains time flexibility. As a result, and based on the “push” and “pull” hypotheses, pull factors make self-employment more attractive than paid employment. In this case, jobseekers are “pushed” into self-employment by the lack of attractive alternatives – this is consistent with the findings of Based on Storey (1982).

### Conclusions

This paper shows that there were several variables that determine whether an individual in the Saudi labor market will be in self-employment. The findings are generally consistent with the studies of self-employment that assume these individuals have entrepreneurial ability (e.g., Rees and Shah 1986). Also, the findings indicated that both genders regard self-employment as providing job independency, regular earnings, and employment stability – this is consistent with the conclusions made by Djankov et al. (2006). In addition, the drive to earn more money was found to be a significant determinant of self-employment in both genders. However, the results showed that the number of individuals who are defined as a self-employed worker had gender differences. More than two-thirds (72%) of all self-employed workers were male, where 28% were female; this may show that the females in this sample viewed self-employment as a position or undesirable state that was only chosen because they were unable to find suitable paid employment under existing labor market conditions. Additionally, education level may be an important mediating variable, as in Saudi Arabia, less educated females are expected to have children at a relatively young age, and may enter or exit self-employment at a different age than those who are more educated. Specifically, a motivation of self-employed workers in Saudi Arabia is flexibility, that is, avoiding the costs, obligations, and responsibilities related to paid employment. Several studies showed that individuals seeking flexible working hours may choose self-employment if a paid employment contract offering enough flexibility is unavailable. The findings showed that the most cited reason for 90% of males was a preference for being one’s own boss. For 89% of females, the most cited motivating factor was “the opportunity to earn more money.” In order to achieve one of the main goals of the Saudi Vision 2030, Saudi Arabia is implementing practices that allow young people to choose their career paths and obtain the relevant skills for

competitive and fulfilling private sector jobs. In this regard, policymakers in the Saudi labor market should be more aware of the trend of self-employment, and try to seize it as an opportunity for addressing long-term unemployment as well as better understand which individuals are more likely to show particular motivations for self-employment. Consequently, the Saudi government's regulations that are designed to reduce the percentage of expatriate workers in paid employment may help to achieve its objectives for creating job opportunities for young Saudis. There are strong government policies and the imposition of penalties for those who fail to follow the regulations, which force employers to provide accurate information about their expatriate workers' activities. Additionally, at the end of 2013, the Saudi government introduced new steps to correct the labor market (Ministry of Interior, 2013). These corrections included actively reducing the number of illegal workers and encouraging Saudis to establish their own businesses. These regulations lead to an additional constraint on the government's policy: limiting the number of work visas issued according to the type of job. Nonetheless, further research could determine the influence of these new policies, such as the Citizen Account Program, on the trend of self-employment among young workers in Saudi Arabia.

There is one main limitation to this study: the study excluded individuals who attended private pre-school. However, if private pre-school had been included as one of the variables, it may have been very difficult to obtain sufficient respondents due to the small number self-employed workers who attended private pre-school.

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